

**CANADIAN
GENERAL ELECTRIC
COMPANY
LIMITED**

**ANNUAL
REPORT
1938**

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MCGILL UNIVERSITY

PEAT, MARWICK, MITCHELL & CO.

Chartered Accountants

25 King Street West,
Toronto

February 27, 1939.

To the Shareholders

Canadian General Electric Company, Limited.

We have made an examination of the Balance Sheet of Canadian General Electric Company, Limited, as at December 31, 1938, and of the Statement of Income and Earned Surplus for the year 1938. In connection therewith we examined or tested accounting records of the Company and other supporting evidence and obtained all the information and explanations that we required. We also made a general review of the accounting methods and of the operating and income accounts for the year, but we did not make a detailed audit of the transactions.

We have confirmed the cash and securities by count and inspection, or by certificates which we have obtained from the depositaries. We have scrutinized the accounts and notes receivable and believe that full provision has been made for possible losses on doubtful accounts. Certified inventories of merchandise, work in progress and materials and supplies have been submitted to us. We have satisfied ourselves that these inventories have been taken in a careful manner, that ample allowance has been made for inactive and obsolete stocks, and that they are conservatively stated at an amount not in excess of cost or market, whichever is lower, less reserves.

Expenditures capitalized in the plant and equipment accounts during the year were properly so chargeable as representing additions or improvements and adequate provision has been made in the operating accounts for depreciation.

In accordance with Section 114 of the Companies Act, 1934, we report that the earnings of subsidiary companies for 1938 are included in income from investments in the attached income statement only to the extent of dividends received; such dividends were not in excess of the Company's share of the aggregate of the profits and losses of all subsidiaries.

We report that, in our opinion, based upon such examination the attached Balance Sheet and related Statement of Income and Earned Surplus are properly drawn up so as to exhibit, in accordance with accepted principles of accounting consistently maintained by the Company, a true and correct view of the state of its affairs as at December 31, 1938, and the results of its operations for the year then ended according to the best of our information and the explanations given to us and as shown by the books of the Company.

PEAT, MARWICK, MITCHELL & CO.,
Auditors.

STATEMENT OF INCOME AND EARNED SURPLUS

YEAR ENDED DECEMBER 31, 1938

Income from operations, before deductions.....	\$2,305,951.12	
Income from investments.....	767,592.35	
Profit from securities sold.....	17,875.00	
		\$3,091,418.47

Depreciation.....	\$ 696,676.10	
Income taxes.....	315,691.25	
Salaries of officials and legal expenses.....	179,635.31	
Directors' fees.....	15,835.00	
		1,207,837.66
Net income for the year.....		\$1,883,580.81

Earned surplus at January 1, 1938.....	7,374,846.77	
Earned surplus available for dividends.....	\$9,258,427.58	

Dividends on preferred stock... \$	92,187.50	
Dividends on common stock... 1,133,070.00		1,225,257.50
Earned surplus at December 31, 1938.....	\$8,033,170.08	

CANADIAN GENERAL ELE
BALANCE SHEET,

ASSETS

Current assets:

Cash	\$ 1,644,830.46
Government bonds	7,271,250.00
(Market value \$8,065,625.00)	
Accounts and notes receivable, less reserves	2,371,033.99
Inventories at the lower of cost or market value, less reserves	5,047,360.40
	\$16,334,474.85
Less: Advance collections on contracts ..	794,736.05
Total current assets	\$15,539,738.80

Other assets:

Investment securities, less reserves	\$ 3,441,724.65
(Market value \$4,145,924.93)	
Securities of subsidiary companies	427,713.81
Employees' savings plan	198,802.88
Prepaid expenses	25,200.07
Total other assets	\$ 4,093,441.41

Fixed assets:

Manufacturing plant including land, buildings and machinery; head office and branch office properties; at cost ...	\$16,561,246.74
Less: Depreciation reserves	8,360,945.37
	\$ 8,200,301.37
Patents and franchise	1.00
Total fixed assets	\$ 8,200,302.37
	\$27,833,482.58

A. E. DYMENT, Chairman of the Board.
D. G. DURLAND, President.

CTRIG COMPANY, LIMITED
DECEMBER 31, 1938

LIABILITIES AND CAPITAL

Current liabilities:

Accounts payable	\$ 952,190.64
Taxes payable.....	585,694.48
Dividend declared on preferred stock.....	23,750.00
Dividend declared on common stock.....	283,267.50

Total current liabilities.....	\$ 1,844,902.62
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General reserve.....	\$ 6,613,159.88
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Capital stock:

Special Employees' Preferred:

Authorized—50,000 shares, par value \$50.00 (callable at par).	
Issued—38,000 shares.....	\$ 1,900,000.00

Common:

Authorized and issued—188,845 shares, par value \$50.00.....	9,442,250.00
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Total capital stock.....	\$11,342,250.00
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Earned surplus at December 31, 1938.....	\$ 8,033,170.08
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	\$27,833,482.58
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The auditors' report to the Shareholders appears on the first page.

ANNUAL REPORT OF THE DIRECTORS
TO THE SHAREHOLDERS OF
CANADIAN GENERAL ELECTRIC COMPANY, LIMITED

TORONTO, CANADA

MARCH 15, 1939

The Board of Directors submit herewith the Balance Sheet of your Company as of December 31, 1938, and Statement of Income and Earned Surplus, certified by the Company's Auditors, Peat, Marwick, Mitchell & Co., Chartered Accountants.

The general recession in business experienced during the latter part of 1937 continued throughout the major portion of 1938, and is reflected in the Company's operations for that year. The volume of orders received and sales billed both show a decrease from the previous year, with a consequent reduction in net income.

Net profits for the year, after all charges including depreciation and income taxes, amounted to \$1,883,580.81, as compared with \$2,431,210.32 for the year 1937.

Dividends on the special employees' preferred stock, at the rate of 5% per annum, amounted to \$92,187.50, and dividends on the common stock at \$6.00 per share totaled \$1,133,070.00. Dividends for the year aggregated \$1,225,257.50, and the sum of \$658,323.31 was added to earned surplus, making the balance in that account \$8,033,170.08 at December 31, 1938.

Current assets amounted to \$15,539,738.80, a decrease of \$271,662.61, while current liabilities totaled \$1,844,902.62, a decrease of \$768,991.29. The excess of current assets over current liabilities, or working capital, amounted to \$13,694,836.18, an increase of \$497,328.68. The ratio of current assets to current liabilities was 8.4 to 1. The Company has no funded debt or notes payable.

Cash amounted to \$1,644,830.46, an increase of \$347,192.83. Government bonds totaled \$7,271,250.00, an increase of \$212,000.00. Investments other than Govern-

ment bonds amounted to \$3,441,724.65, an increase of \$120,225.86. These items aggregated \$12,357,805.11, as compared with \$11,678,386.42 on December 31, 1937, an increase of \$679,418.69.

Government bonds are carried in the Balance Sheet at the lower of par or market value, investment securities are carried at values not exceeding either cost or market, and securities of subsidiary companies are conservatively valued.

Accounts and notes receivable amounted to \$2,371,033.99, a decrease of \$338,897.61, and adequate reserves are provided for possible losses. Inventories of \$5,047,360.40 show a decrease of \$834,792.45 resulting from the lower volume of orders received. In accordance with the established practice of the Company, inventories are valued at the lower of cost or market, and appropriate reserves have been provided for obsolescence and shrinkage in value.

The Company's manufacturing plants and other properties have been maintained in excellent condition. During the year expenditures for additions and replacements amounted to \$442,095.00, and depreciation for the year was \$696,676.10. Net book value of plants and other properties at December 31, 1938, was \$8,200,301.37, a decrease of \$286,518.94.

During the year a pension trust was created as part of the employees' pension plan, to be known as the Canadian General Electric Pension Trust, and a Board of Trustees appointed to administer the trust. The pension reserve previously provided, amounting to \$700,000.00, together with an additional \$100,000.00, or a total of \$800,000.00 has been paid into the trust.

Pension payments in 1938 amounted to \$58,817.95 and the total disbursement since the inception of the plan has been \$441,717.48.

An additional 4500 shares of special employees' preferred stock were issued, making the total issued

capital stock at December 31, 1938, \$11,342,250.00, an increase of \$225,000.00. This additional issue was made to provide for subscriptions under the 1938 Employees' Savings and Investment Plan.

Employees' holdings on December 31, 1938, amounted to 35,097 shares, having a par value of \$1,754,850.00. During the twelve years the plan has been in operation the employees have received \$930,287.69 in dividends and extra payments. An extra payment, equal to 2% of the par value of the shares held under the plan, was made for the year 1937. The employees will be given an opportunity to subscribe for additional stock on April 1, 1939.

On December 31, 1938, 3897 employees of the Company, representing over 90% of those eligible, were insured under the Group Life Insurance Plan. The total insurance was \$7,699,419.00, of which \$4,049,919.00 was under the policy paid for by the Company, and \$3,649,500.00 under the Additional Insurance Plan paid for by the employees.

In 1938 vacations with pay were granted to hourly rated employees and piece workers, as well as salaried employees, in accordance with previously established plans.

The Board of Directors and Officers take pleasure in again expressing their appreciation of the loyal and co-operative services rendered by the employees of the Company.

A. E. DYMENT, Chairman
D. C. DURLAND, President

EXECUTIVE OFFICERS

A. E. DYMENT, Chairman of the Board	D. C. DURLAND, President
STEPHEN HAAS, Vice-President	J. J. ASHWORTH, General Manager
E. I. JENKING, Treasurer	H. M. TURNER, Comptroller
W. H. NESBITT, Secretary	

BOARD OF DIRECTORS

A. E. DYMENT, CHAIRMAN OF THE BOARD.
VICE-PRESIDENT, ROYAL BANK OF CANADA.
DIRECTOR, CANADA & DOMINION SUGAR COMPANY, LIMITED.

D. C. DURLAND, PRESIDENT.

STEPHEN HAAS, VICE-PRESIDENT.
CHAIRMAN, GEO. H. HEES, SON & COMPANY, LIMITED.
DIRECTOR, ROYAL BANK OF CANADA.

J. J. ASHWORTH, GENERAL MANAGER.

H. C. COX.
DIRECTOR, CANADA LIFE ASSURANCE COMPANY.
DIRECTOR, CANADIAN BANK OF COMMERCE.

SIR HERBERT HOLT.
CHAIRMAN, MONTREAL LIGHT, HEAT & POWER CONSOLIDATED.
CHAIRMAN, ROYAL BANK OF CANADA.

HON. F. B. McCURDY.
PRESIDENT, EASTERN TRUST COMPANY.
DIRECTOR, BANK OF NOVA SCOTIA.

R. S. McLAUGHLIN.
PRESIDENT, GENERAL MOTORS OF CANADA, LIMITED.
VICE-PRESIDENT, DOMINION BANK.

JAMES A. RICHARDSON.
PRESIDENT, JAMES RICHARDSON & SONS, LIMITED.
DIRECTOR, CANADIAN PACIFIC RAILWAY.

HON. W. D. ROSS.
VICE-PRESIDENT, BANK OF NOVA SCOTIA.
DIRECTOR, INTERNATIONAL POWER COMPANY.

G. HARRISON SMITH.
PRESIDENT, IMPERIAL OIL LIMITED.
DIRECTOR, ROYAL BANK OF CANADA.

JULIAN C. SMITH.
PRESIDENT, THE SHAWINIGAN WATER & POWER COMPANY, LIMITED.
PRESIDENT, MONTREAL TRAMWAYS COMPANY.

A. M. STEWART, K.C.

CANADIAN GENERAL ELECTRIC COMPANY LIMITED

HEAD OFFICE

212-218 KING STREET WEST, TORONTO, ONT.

BRANCH OFFICES

HALIFAX, N.S.	FORT WILLIAM, ONT.
SYDNEY, N.S.	WINNIPEG, MAN.
ST. JOHN, N.B.	REGINA, SASK.
QUEBEC, QUE.	SASKATOON, SASK.
MONTREAL, QUE.	CALGARY, ALTA.
SHERBROOKE, QUE.	EDMONTON, ALTA.
OTTAWA, ONT.	LETHBRIDGE, ALTA.
HAMILTON, ONT.	TRAIL, B.C.
LONDON, ONT.	NELSON, B.C.
WINDSOR, ONT.	KELOWNA, B.C.
NEW LISKEARD, ONT.	VANCOUVER, B.C.
SUDBURY, ONT.	VICTORIA, B.C.

MANUFACTURING PLANTS

PETERBOROUGH WORKS	PETERBOROUGH, ONT.
DAVENPORT WORKS	TORONTO, ONT.
WARD STREET WORKS	TORONTO, ONT.
EDISON MAZDA LAMP WORKS	TORONTO, ONT.
VACUUM TUBE WORKS	TORONTO, ONT.
ARCHITECTURAL BRONZE & IRON WORKS	TORONTO, ONT.
ROCKFIELD WORKS	LACHINE, QUE.

